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## CURRENT SUPPORT MEMORANDUM

PO I-PO DELINEATES CHINA'S 1958 CONSTRUCTION GOALS

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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Po I-po, Chairman of the National Economic Commission of Communist China, set forth the 1958 annual economic plan in a speech delivered on 3 February. 1/ Construction goals for the year follow.

1. Total investment in capital construction in 1958 is tentatively set at 14.6 billion yuan--or 2.2 billion yuan above the level of the estimated figure for 1957.

2. Some 1,185 above-norm construction projects will be worked on during the year. (In 1957 there were 642 such projects.) Of these 1,185 projects, 716 are industrial and 469 are non-industrial. In industrial construction 188 projects are slated for completion in 1958 as compared with 178 completed in 1957.

3. Planned above-norm construction starts, continuations, and completions in various industries were announced as follows:

<u>Industry</u>	<u>Starts and Continuations</u>	<u>Completions</u>
Chemical	42	4
Construction Materials	44	7
Electric Power	119	35
Fuel	232	52
Light	92	31
Machine Building	79	27
Metallurgical	71	14

4. The proportion of total industrial construction projects which will be performed at the local level will be more than 20 percent.

5. The reduction of construction costs--an old theme--was given ample attention by Po I-po. He stated that it is now possible to use 60 to 80 yuan to construct what formerly required 100 yuan. On this point Finance Minister Li Hsien-nien on 1 February said that it was feasible to save seven to ten percent of the approved total investment in capital construction in 1958. 2/ In the same context Teng Tai-yuan, Minister of Railroads, recently stated that the average per kilometer cost of new railroad construction could be reduced from 580,000 yuan, which obtained in the First Five-Year Plan, to 400,000 yuan. 3/ Such reductions are posited on the premise that waste and excessive non-productive construction will be curbed. Since 1955 the ratio of investment in non-productive construction has been reduced from over 30 percent to 20 percent of total investment in capital construction. Floor space of all non-productive buildings constructed in the First Five-Year Plan totaled 160 million square meters, or well over 50 percent of the total floor space constructed. Another recent report stated that 40 percent of the investment on the construction of new railroad lines (presumably during the First Five-Year Plan) went for non-productive purposes. 4/ In terms of materials and costs, therefore, non-productive construction has been excessive and the trimming of this segment of capital investment would be a sure and speedy method of reducing construction costs without unduly affecting the quality of construction.

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6. Planned increase in the annual production capacity of various commodities resulting from construction in 1958 is as follows:

<u>Commodity</u>	<u>Increase</u>
Ball Bearings	10,000,000 units
Cement	833,000 tons
Coal	24,420,000 tons
Cotton Cloth	110,000,000 meters
Electric Power	900,000 kilowatts
Heavy Machinery	20,000 tons
Machine Made Paper	204,000 tons
Metallurgical Machinery	30,000 tons
Mining Machinery	27,000 tons
Phosphate Fertilizer	548,000 tons
Pig Iron	1,880,000 tons
Steel	1,166,000 tons
Sugar	345,000 tons
Synthetic Ammonia	47,000 tons
Synthetic Petroleum	20,000 tons
Timber	4,850,000 cubic meters

7. Curiously, neither the 1958 plan nor the report on accomplishments in 1957 contained a mention of new housing construction. Previous data indicated that a large overfulfillment on this front was in the offing.

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Sources:

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